



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS SPACE AND MISSILE SYSTEMS CENTER (AFMC)
LOS ANGELES, CA

12 OCT 2000

MEMORANDUM FOR RECIPIENTS OF SMC/PK INFORMATION LETTERS

FROM: SMC/PKX

SUBJECT: Timely Award Fee Payment

1. This letter rescinds CY 00-A issued on 03 Aug 2000.
2. The attached SMC/CC memorandum, dated 17 Jul 00, establishes a new SMC award fee goal for all Designated Acquisition Commander (DAC) and other contracting action programs. The intent of the attached memorandum signed by General Tattini, and concurred in by SMC/PK, is to adopt AFMC headquarter's goal of same-day turnaround, see attachment 2. Delivering the award fee modification to the contractor on the same day that the FDO decision is made sends a strong positive message to industry.
3. Although SMC has adopted this aggressive AFMC same-day turnaround goal, 15 days between FDO determination and contract modification, as stated in the AFMC FAR Supplement, will be used for tracking the timeliness of award fee payments. The intent of this goal is not to create additional work or stress. However, up-front planning and early preparation of all necessary documents is key to achieving this goal.
4. Any questions may be directed to Ms. Bobbie Aikels, SMC/PKXF, at ext. 36984 or Ms. Pat Herrick, SMC/PKXF, at ext. 36986.

GAIL VRANICAR
Chief
Resource Management Division
Directorate of Contracting

2 Atchs:

1. SMC/CC Memo, 17 Jul 00
2. HQ AFMC/PK Memo, 15 Apr 98

cc:

SMC/JAQ
/FM

All Price Analysts
SPO Directors

CY 00-C



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS SPACE AND MISSILE SYSTEMS CENTER (AFMC)
LOS ANGELES, CA

MEMORANDUM FOR SEE DISTRIBUTION

JUL 17 2000

FROM : SMC/CC
2420 Vela Way, Suite 1467
El Segundo, CA 90245-4659

SUBJECT: Timely Award Fee Payment

1. Award fees are one of the strongest motivational incentives for industry that we have. Delivering the award fee modification to the contractor on the same day that the Fee Determining Official (FDO) determination is made sends a strong positive message to industry. While the AFMC FAR Supplement allows 15 days between FDO determination and contract modification issuance, AFMC has recently published a goal to accomplish this the same day. To support this AFMC goal, SMC is establishing this same-day turn around goal. Therefore, the new SMC goal for Designated Acquisition Commander (DAC) and other contracting actions will be 30 days from period end to contract modification issuance. Please include a copy of the contract modification in future FDO packages.
2. Quick payment of award fee can be a low cost, powerful motivator since contractor profitability and cash flow are involved. Industry has indicated that receiving the contract modification the same day the FDO determination is made is indeed, a positive incentive. The contractor can then provide timely feedback to their management and appropriate recognition to their employees.
3. To accomplish this aggressive SMC goal, it is important to avoid unnecessary delays. Recent and previous surveys have found that delays in the issuance of the award fee modification have been caused by the following:
 - (a) AFRB and FDO briefings were not planned/scheduled in advance,
 - (b) certified purchase requests (PRs) were not prepared subsequent to the award fee period, and
 - (c) upward obligation adjustments (UOAs) were not processed 60 days in advance of the expected obligation date in accordance with SMC/FM letter, dated 6 Oct 98 (attachment 1).
4. The award fee process is an effective program management tool. Providing the contractor a contract modification on the same day as the FDO determination is made

sends a strong positive message that costs us nothing more than a shift of our effort to the front end of the process. Single Managers with delegated FDO authority will monitor award fee timeliness consistent with this letter.


EUGENE L. TATTINI
Lieutenant General, USAF
Commander

2 Attachments:

1. Distribution List
2. SMC/FM Letter, dated 6 Oct 98

cc:

AFPEO/SP
/WP

SMC/CZ
/MC
/MT
/MV
/TM

Distribution List:

SMC/AD

/AX

/CI

/CL

/CW

/TE

/TL

/XR

61st ABG/CC

Det 8/CC

Det 9/CC

Det 11/CC



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS SPACE AND MISSILE SYSTEMS CENTER (AFMC)
LOS ANGELES, CA

6 OCT 1998

MEMORANDUM FOR SMC/PK

FROM: SMC/FM

SUBJECT: Upward Obligation Process for Award Fees

1. Award fee has flexibility and adaptability to be used in both current and expired fiscal years. Therefore, the bona fide need and funding propriety rules must be implemented. Award fee determinations made after the funds have expired require special consideration. These actions constitute upward obligation adjustments (UOAs) to expired appropriations and must be approved through Financial Management channels per Air Force Instruction 65-601, Volume 1, Chapter 6, Expired and Canceled Appropriations.
2. Per HQ AFMC/FM Email, Upward Obligation Process for Award Fees, dated 22 Sep 98, UOAs can be processed 60 days in advance of the expected obligation date. SAF/FMBMM must approve adjustments greater than \$2M (\$100K for within scope contract changes and DoD appropriation adjustments). UOAs should be prepared to the recorded contingent liability estimates and submitted in OARS to expedite the approval process. When the UOA has been approved prior to the determination of the final negotiated price, then necessary measures should be taken to promptly de-obligate the difference between the estimated amount and negotiated amount.
3. If there are questions, please contact Marilyn Wright at (310) 363-2345.

Roy E Smoker
ROY E. SMOKER, Colonel, USAF
Director of Financial Management
and Comptroller



DEPARTMENT OF THE AIR FORCE
HEADQUARTERS AIR FORCE MATERIEL COMMAND
WRIGHT-PATTERSON AIR FORCE BASE, OHIO

15 APR 1998

MEMORANDUM FOR SEE DISTRIBUTION

FROM: HQ AFMC/PK
4375 Chidlaw Road, Suite 6
Wright-Patterson AFB OH 45433-5006

SUBJECT: Timely Award Fee Payment ~~(SUSP: 6 May 98)~~

1. Award fees are one of the strongest motivational incentives for industry that we have. In today's environment we must use every available tool to reward performance and attract commercial producers to our business. Delivering the award fee modification to the contractor on the same day that the FDO decision is made sends a strong positive message to industry. This message costs us nothing more than a shift of our effort to the front end of the process. While the AFMC FAR Supplement allows 15 days between FDO determination and modification issuance, same-day turnaround is our goal. Quick payment of award fee can be a low cost, powerful motivator since contractor profitability and cash flow is involved.

2. At a recent high-level government/industry forum, industry confirmed that receiving the award fee contract modification the same day as the FDO decision is made, is indeed, a positive incentive. They indicated that returning to the plant "with a check in hand" allows them to provide timely recognition to their employees and the improved cash flow is good for business.

3. At the same forum, industry expressed a perception that some award fee modifications are delayed because funds are not available. If this is true, it threatens our ability to optimize this valuable tool and raises concerns as to whether DoD policy on reserving funds for contingent liabilities is being appropriately administered. In order to either correct the perception or improve the process, we need your help to identify whether a problem with funds availability exists, and if it does, whether it is an isolated or a systemic problem. Therefore, we request that each center identify any situations where the funds were not available at the end of the award fee period or where it had taken several days to obtain funds through FM when they were available on base. Please send your replies to the attention of Major Doug James by 6 May 98. *extended to 5/13*
Negative replies are requested. Please provide the following information for FY95-FY98: contract number, award fee period dates, amount of award fee pool, and the reason the funds were not available.

4. If you have any questions, please contact Major Douglas E. James, HQ AFMC/PKPC, DSN 986-0329, Com (937) 656-0329, E-mail: jamesde@wpgate1.wpafb.af.mil.

Linda G. Williams

LINDA G. WILLIAMS, SES
Deputy Director of Contracting